

11 JUN 1976

11 June Memo

MEMORANDUM FOR: Comptroller

THROUGH : Deputy Director for Administration

FROM : James H. McDonald
Director of Logistics

SUBJECT : OMB Circular A-109, Major Systems Acquisition

REFERENCES : (a) Ltr dtd 12 June 74 to Acting Director,
Office of Procurement Management, GSA
fm DD/M&S same subject

(b) Ltr dtd 28 Oct 75 to D/OMB fm DD/A same
subject

1. Action Requested: By routing slip initiated 29 April 1976 (Compt. 76-0556), [redacted], Acting Comptroller, assigned action for implementation of the subject circular to the Deputy Director for Administration (DD/A). The action was subsequently assigned (DD/A 2211) to the Office of Logistics (OL). The Office of Logistics, for reasons stated herein, recommends that this action be assigned to the Office of the Comptroller. The specific recommendation is included in paragraph 8.

2. Background: A Commission on Government Procurement (COGP) was created by PL 91-129 in November of 1969 to study and recommend to Congress methods to promote the economy, efficiency, and effectiveness of procurement by the executive branch. The COGP completed its work with a 22 January 1973 report which included 149 recommendations to improve the procurement process. Recommendations C-1 through C-12 dealt with the acquisition of major systems. These recommendations, after much coordination with members of the executive branch, have resulted in the subject OMB Circular A-109. Because the COGP was primarily concerned with procurement matters, the Procurement Management Staff (PMS) in OL was charged with responsibility for coordinating Agency responses to requests for Agency positions on various

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recommendations, including C-1 through C-12 which dealt with major systems acquisition. References a and b, prepared by PMS/OL, provided coordinated Agency positions on COGP recommendations C-1 through C-12 and a draft of the Major Systems Acquisition Circular, respectively. The Office of Federal Procurement Policy (OFPP), within the Office of Management and Budget (OMB), has been assigned the responsibility for development and implementation of procurement policy. Mr. Fred Dietrich, within that Office, is the Assistant Administrator for Major Systems Acquisition. A copy of a memorandum for the record is attached, which discusses a meeting between Chief, PMS/OL and Mr. Dietrich on 20 May 1976. PMS/OL interfaces with the new OFPP, which was created by PL 93-400 in 1974 as a result of one of the recommendations of the COGP. This interface is necessary and will continue for the reason that OFPP is responsible for establishing and implementing procurement policy for all members of the executive branch. Because of prior involvement with the COGP, the ongoing interface with OFPP and the preparation of the referenced Agency positions on major systems acquisition, PMS/OL has been assigned responsibility for implementation of the subject circular.

3. Staff Position:

a. While PMS/OL is the cognizant Agency component for policy recommendations on procurement activities, the subject OMB Circular goes far beyond this arena and impacts on all aspects of the management process which touch on systems acquisition. This fact is best brought out by the following excerpt from the circular:

"Coverage: This Circular covers and applies to:

Management of the acquisition of major systems, including: Analysis of agency missions - Determination of mission needs - Setting of program objectives - Determination of system requirements - System program planning - Budgeting - Funding - Research - Engineering - Development - Testing and evaluation - Contracting - Production - Program and management control - Introduction of the system into use or otherwise successful achievement of program objectives."

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It is clear from the above language that the subject circular impacts most heavily on the requirements, financial, and management areas rather than on contractor selection, contract negotiation, or other aspects of contracts for which OL has responsibility. Further, the circular requires certain decisions by the Agency head, such as (1) designation of a major systems executive (2) identification and definition of a specific mission need to be fulfilled along with the relative priority assigned within the Agency and the general magnitude of resources that may be invested, (3) selection of competitive system design concepts to be advanced to a test/demonstration phase or authorization to proceed with the development of a noncompetitive (single concept) system, (4) commitment of a system to full-scale development and limited production, and (5) commitment of a system to full production.

b. Since any of the four directorates may have major system requirements and also because of the probability of requirements developing which are interdirectorate, it is considered necessary to place the management of the procedures required by the subject circular at the DCI staff level rather than within a particular directorate. It is noted also that beginning with FY 1979 the Agency will be required to separately identify research and development funding for (1) the general technology base in support of overall missions, (2) specific development efforts in support of alternative system design concepts to accomplish each mission need, and (3) full-scale development which must be within the charter of the Comptroller.

c. Procedures for the purposes stated above will require coordination with OMB and with the Congress which, while a routine function of the Comptroller, is not a regular procedure for the Office of Logistics.

4. Recommendation: It is recommended that implementation of OMB Circular A-109, Major Systems Acquisition, be assigned to the Comptroller. This recommendation is made for the reasons stated herein which are summarized as

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(1) impact is most heavily in the requirements areas; (2) head of the Agency decisions are required which may also involve the management committee; (3) major systems acquisition may occur within any directorate, or cross directorate lines; (4) coordination and contact with OMB is required; and (5) major budget functions (beginning with FY 1979) are required which can only be performed by the Comptroller.

/s/ James H. McDonald
James H. McDonald

Atts

CONCURRENCE:

STAT
for John F. Blake
Deputy Director
for
Administration

6-16-76
Date

APPROVED:

John D. Ials
Comptroller

Date

Distribution:

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